

CAP168 Working Group

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| Meeting Name | CAP168 Working Group |
| Meeting No. | 3 |
| Date of Meeting | 24th March 2009 |
| Time | 10:00 – 16:00 |
| Venue | Hilton, Warwick |

This note outlines the key discussions, decisions and action points from the third meeting of the CAP168 Working Group.

1. Introductions/Apologies for Absence

1. Apologies for absence were received from Simon Lord, Deborah MacPherson, Merel van der Neut Kolfshoten, Barbara Vest and Charles Williams.

2. Agree Notes from Previous Meeting

2. The Working Group agreed the notes from the previous meeting with minor changes.

3. Further Thoughts from the Proposer

3. The Working Group reviewed a note written by the proposer putting forward their further thoughts on the amendment.
4. The note describe the “use it or lose it” arrangements as a feasibility test. This would test whether the User was capable of generating up to their TEC.
5. The group agreed the test would take into account output over charging years. The test should compare outputs over the past five years and review if there has been under-run in two consecutive years or three years in five.
6. The group agreed that exceptional factors would include maintenance outages and breakdown.
7. PJ suggested the test should be done on a unit basis. PH argued that TEC is based on power station output and the test should be done on the same basis. The group agreed the test would be done on a power station basis.
8. The group considered that there is an inherent risk that a proving test could cause a breach of CUSC through Users exceeding their TEC. This would not be a problem if overrun was approved alongside CAP168. If there was no overrun the breach would need to be considered as immaterial.
9. The note described an annual non-binding notification of planned works. The group considered that this step was covered by OC2 data under the Grid Code and did not need to form part of the proposal.
10. The proposal suggested that Users would provide a monthly maximum TEC value. PH considered that over run would need to be calculated based on this value or Users could provide a really low maximum value to avoid any under-use charge.
11. BR suggested that User providing a maximum monthly TEC value would move towards TEC becoming a monthly product.
12. The note indicated that the under use volume would be based on the difference

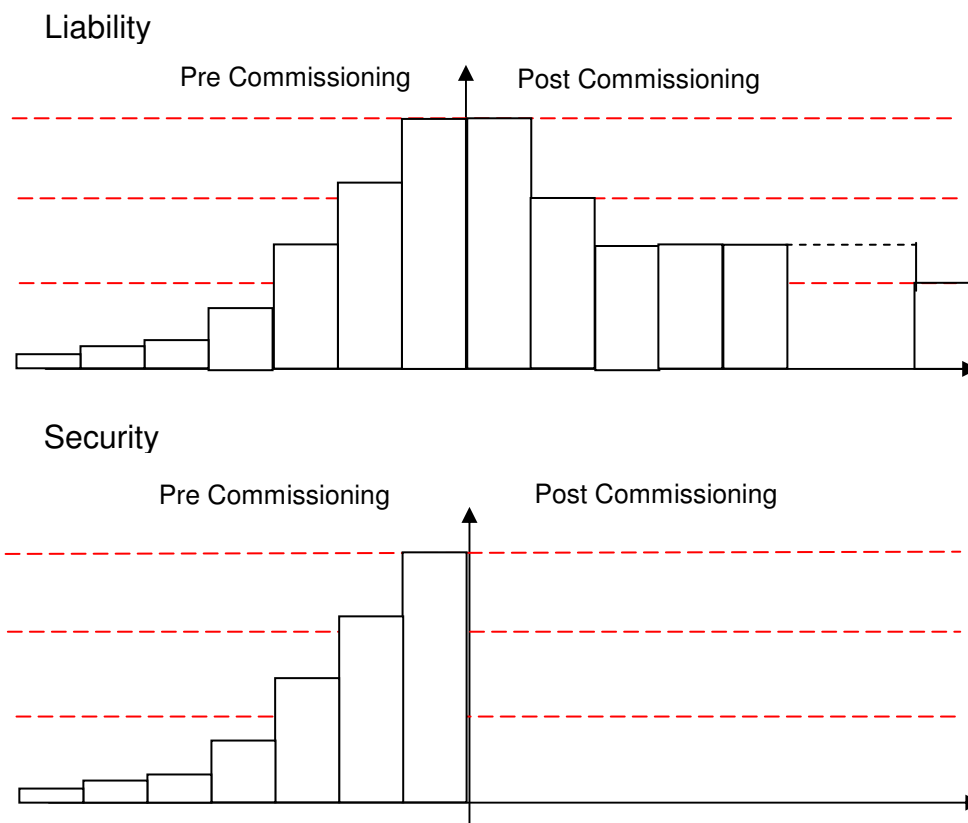
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between the User's predicted maximum output and their actual average output. RF argued that even if you had provided accurate information you would receive a charge because your average output will always be less than your maximum. MM pointed out that you would not be charged based on your total under use volume, you would deduct any further capacity released under the proposed two day ahead mechanism.

13. HR suggested that the nomination and the test should be on the same basis. MM disagreed as this would not take into account the under use of generators who only used their full capacity one in the month. RL suggested the test should be on the same basis but the granularity should be finer.
14. LS asked whether the group thought month ahead notification or granularity was more important. RF suggested the group should find the best compromise between notification period and granularity. GG noted if every generator provided daily information an expensive computer system would need to be developed. HR suggested it may be helpful if the timescales lined up with CAP161 (SO Release).
15. The group agreed a five week ahead nomination of a weekly maximum. This would be compared with the actual maximum in that week to calculate the under use volume.
16. The Working Group debated whether Users' notification of their maximum weekly output would be transparent or confidential. MD voiced concerns that the transparency of this data would have an impact on the energy market. PH noted that if you publicised the information Users would have more information about what to bid into the SO release auction. LS suggested you could release the information zonally. HR pointed out some zones only had minimal Users in.
17. The Working Group voted on whether the information should be transparent or confidential. Five voted for the information to be confidential, three voted for it to be transparent. The group agreed the information would be confidential.
18. The group considered what would happen to the TEC after you had given it back to the SO. Some members of the group suggested you should get a TNUoS rebate. HR noted this would undermine the annual nature of TEC and therefore TNUoS charging would need to be reconsidered if a rebate was necessary.
19. The Working Group debated how overrun and under-use would be charged for under CAP168. The Working Group agreed to continue this debate in a meeting after the TCMF on the 26th March.
20. The group considered when calculating the under run capacity you would need to take trades into account. The group considered the scenario where a user nominated 100MW and at max they have traded an additional 10MW from the SO. If their actual maximum output was 115MW their under run capacity would be 5MW. If their actual maximum output was 90MW the under use capacity would be 20MW.
21. The group considered whether two day ahead notifications should be considered. The group agreed there was merit in the idea but there was not time to explore this further under the urgent timescales.

4. User Commitment

22. SH drew the following diagrams to describe how she interpreted the proposal for User Commitment.



23. SH explained that these profiles had been created from the CAP165 conclusions and the CAP168 proposal. Pre commissioning liabilities are based on a maximum of three years TNUoS. Pre commissioning securities match liabilities.
24. Post commissioning your liability is three years in the first year and two in the second. SH explained that as the proposal suggested you would have to pay half the TNUoS for the next year if you only gave one year's notice then you would always be liable for one and a half years TNUoS until your final year. In your final year if you had given the appropriate notice your liability would be the charge for that year.
25. PJ argued that if you had to give two years notice you should be liable for two years' worth of TNUoS. The group agreed you would be liable for the full TNUoS charge in the final year rather than 50%.
26. BR pointed out that there were several alternatives to CAP165. The group agreed that under the current urgent timescales it would not be appropriate to put forward all the CAP165 alternatives for user commitment.
27. MD suggested that post-commissioning Users should at least provide one year's worth of TNUoS as security. The group noted that Working Group two had debated this issue and voted for there to be no security for post-commissioning users.

5. Date and Location of Next Meeting

28. Further discussion of the charging issues will be held after the TCMF at National Grid House Warwick on Tuesday 24th March 2009. All other Working Group matters will be discussed via correspondence.

Appendix 1 – Working Group Attendance

Members Present:

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| Hêdd Roberts | HR | Chairman |
| Sarah Hall | SH | Technical Secretary |
| Patrick Hynes | PH | National Grid |
| James Anderson | JA | Scottish Power |
| Bob Brown | BB | GdF |
| Richard Ford | RF | RES |
| Garth Graham | GG | Scottish and Southern Energy |
| Paul Jones | PJ | E.ON UK |
| Robert Longden | RL | Airtricity |
| Maureen McCaffrey | MM | ConocoPhillips |
| Rekha Patel | RP | Welsh Power |
| Bill Reed | BR | RWE |
| Louise Schmitz | LS | British Energy |

In Attendance:

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| Konrad Keyserlingk | KK | Ofgem |
| Michael Dodd | MD | ESBI |

Apologies:

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| Simon Lord | SL | First Hydro |
| Deborah MacPherson | DM | Scottish Power |
| Merel van der Neut Kolschoten | MK | Centrica |
| Barbara Vest | BV | AEP |
| Charles Williams | CW | Falck Reneables |